

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Quarter Ended June 30, 2005

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

# BALANCE SHEETS

AS OF JUNE 30, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 0	\$ 19,323
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2005, \$27; 2004, \$ 4,369 ). .... NOTE 2.....	347,037	8,837
4	Inventories. ....	0	1,311
5	Prepaid expenses and other current assets. ....	0	2,793
6	Total current assets. ....	347,037	32,264
7	Investments, Advances, and Receivables. ....	0	14,020
8	Property And Equipment - Gross. ....	0	559,860
9	Less: Accumulated Depreciation/Amortization. ....	0	(274,633)
10	Property And Equipment - Net. ....	0	285,227
11	Other Assets. ....	40	77,001
12	Total Assets. ....	\$ 347,077	\$ 408,512
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 294	\$ 1,822
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	-	-
17	Income taxes payable and accrued. ....	-	-
18	Other accrued expenses. .... NOTE 3.....	3,534	18,328
19	Other current liabilities. .... NOTE 4.....	58,974	7,799
20	Total current liabilities. ....	62,802	27,949
	Long-Term Debt:		
21	Due to affiliates. .... NOTE 5.....	200,000	200,000
22	Other. ....	-	-
23	Deferred Credits. ....	-	-
24	Other Liabilities. ....	-	108,934
25	Commitments And Contingencies. ....	-	-
26	Total Liabilities. ....	262,802	336,883
27	Stockholders', Partners', or Proprietor's Equity. .... NOTE 6.....	84,275	71,629
28	Total Liabilities And Equity. ....	\$ 347,077	\$ 408,512

Note: 2005 Balance Sheet is as of June 30, 2005, however, Operations under the ownership of Caesars Entertainment, Inc. ceased April 25, 2005. See accompanying notes.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenues:		
1	Casino.....	\$ 81,095	\$ 143,442
2	Rooms.....	6,261	11,062
3	Food and beverage.....	10,874	19,066
4	Other.....	3,949	6,328
5	Total Revenues.....	102,179	179,898
6	Less: Promotional allowances.....	25,318	40,893
7	Net Revenues.....	76,861	139,005
	Costs And Expenses:		
8	Cost of goods and services.....	45,345	91,304
9	Selling, general, and administrative.....	28,832	21,817
10	Provision for doubtful accounts.....	128	(128)
11	Total Costs and Expenses.....	74,305	112,993
12	Gross Operating Profit.....	2,556	26,012
13	Depreciation and Amortization.....	5,707	8,697
	Charges from affiliates other than interest:		
14	Management fees..... NOTE 7.....	2,644	4,689
15	Other.....	-	-
16	Income (Loss) From Operations.....	(5,795)	12,626
	Other Income (Expenses):		
17	Interest (expense)-affiliates..... NOTE 5.....	(6,000)	(8,975)
18	Interest (expense)-external.....	27	-
19	Investment alternative tax and related income (expense) - net.....	(715)	(764)
20	Nonoperating income (expense) - net..... NOTE 8.....	31,662	196
21	Total Other Income (Expenses).....	24,974	(9,543)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	19,179	3,083
23	Provision (credit) for income taxes..... NOTE 1.....	8,101	1,658
24	Income (Loss) Before Extraordinary Items.....	11,078	1,425
25	Extraordinary items (net of income taxes - 20__, \$ ).....	-	-
26	Net Income (Loss).....	\$ 11,078	\$ 1,425

Note: 2005 Statements of Income is as June 30, 2005, however, Operations under the ownership of Caesars Entertainment, Inc. ceased April 25, 2005. See accompanying notes.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2004.

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenues:		
1	Casino.....	\$ 19,021	\$ 73,397
2	Rooms.....	1,578	6,019
3	Food and beverage.....	2,612	9,861
4	Other.....	1,299	3,279
5	Total Revenues.....	24,510	92,556
6	Less: Promotional allowances.....	6,344	21,218
7	Net Revenues.....	18,166	71,338
	Costs And Expenses:		
8	Cost of goods and services.....	1,994	45,845
9	Selling, general, and administrative.....	16,479	10,243
10	Provision for doubtful accounts.....	5	(49)
11	Total Costs and Expenses.....	18,478	56,039
12	Gross Operating Profit.....	(312)	15,299
13	Depreciation and Amortization.....	1,241	4,374
	Charges from affiliates other than interest:		
14	Management fees..... NOTE 7.....	629	2,412
15	Other.....	-	-
16	Income (Loss) From Operations.....	(2,182)	8,513
	Other Income (Expenses):		
17	Interest (expense)-affiliates..... NOTE 5.....	(1,500)	(4,485)
18	Interest (expense)-external.....	0	-
19	Investment alternative tax and related income (expense) - net.....	(240)	(358)
20	Nonoperating income (expense) - net..... NOTE 8.....	31,576	109
21	Total Other Income (Expenses).....	29,836	(4,734)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	27,654	3,779
23	Provision (credit) for income taxes..... NOTE 1.....	11,363	1,743
24	Income (Loss) Before Extraordinary Items.....	16,291	2,036
25	Extraordinary items (net of income taxes - 20__, \$ ).....	-	-
26	Net Income (Loss).....	\$ 16,291	\$ 2,036

Note: 2005 Statements of Income is as June 30, 2005, however, Operations under the ownership of Caesars Entertainment, Inc. ceased April 25, 2005. See accompanying notes.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND THE SIX MONTHS ENDED JUNE 30, 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	Retained Earnings (Accumulated) (Deficit) (i)	Total Shareholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)			
1	<b>Balance, December 31, 2003</b> .....	3,002,510	\$ 30		\$	\$ 123,421	\$ (53,247)	\$ 70,204
2	Net Income (Loss) - 2004.....							
3	Contribution to Paid-in Capital.....						2,993	2,993
4	Dividends.....							
5	Prior Period Adjustments.....							
6								
7								
8								
9								
10	<b>Balance, December 31, 2004</b> .....	3,002,510	\$ 30		\$	\$ 123,421	\$ (50,254)	\$ 73,197
11	Net Income (Loss) - 2005.....						11,078	11,078
12	Contribution to Paid-in Capital.....							
13	Dividends.....							
14	Prior Period Adjustments.....							
15								
16								
17								
18								
19	<b>Balance, June 30, 2005</b> .....	3,002,510	\$ 30		\$	\$ 123,421	\$ (39,176)	\$ 84,275

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

3/30/06

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED)

REVISED

(\$ IN THOUSANDS)

3/30/2005

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
1	Net Cash Provided (Used) By Operating Activities. ....	\$ 111,298	\$ (3,063)
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities. ....	-	-
3	Proceeds from the sale of short-term investment securities. ....	-	-
4	Cash outflows for property and equipment. ....	(6,957)	(5,557)
5	Proceeds from disposition of property and equipment. ....	320,758	2
6	Purchase of casino reinvestment obligations. ....	(873)	(1,668)
7	Purchase of other investments and loans/advances made. ....	-	421
8	Proceeds from disposal of investment and collection of advances and long-term receivables. ....	10,172	(16)
9	Cash outflows to acquire business entities. ....	-	-
10	Increase in construction - related liabilities. ....	-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities. ....	323,100	(6,818)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt. ....	-	-
14	Payments to settle short-term debt. ....	-	-
15	Cash proceeds from issuance of long-term debt. ....	-	-
16	Costs of issuing debt. ....	-	-
17	Payments to settle long-term debt. ....	-	-
18	Cash proceeds from issuing stock or capital contribution. ....	-	-
19	Purchases of treasury stock. ....	-	-
20	Payments of dividends or capital withdrawals. ....	-	-
21	Change in payable to affiliate. ....	(456,984)	6,984
22	Debt retirement costs. ....	-	-
23	Net Cash Provided (Used) By Financing Activities. ....	(456,984)	6,984
24	Net Increase (Decrease) In Cash And Cash Equivalents. ....	(22,586)	(2,897)
25	Cash And Cash Equivalents At Beginning Of Year. ....	22,586	22,220
26	Cash And Cash Equivalents At End Of Year. ....	\$ 0	\$ 19,323

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized). ....	\$ 5,973	\$ 8,975
28	Income taxes paid (refunded) - net. ....	\$ 8,101	\$ 1,658

Note: 2005 Statements of Cash Flows is as of June 30, 2005, however, Operations under the ownership of Caesars Entertainment, Inc. ceased April 25, 2005. See accompanying notes.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

# STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Net Cash Flows From Operating Activities:		
29	Net income (loss) . . . . .	\$ 11,078	\$ 1,425
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment. . . . .	5,707	8,697
31	Amortization of other assets. . . . .	-	-
32	Amortization of debt discount or premium. . . . .	-	-
33	Deferred income taxes - current. . . . .	-	-
34	Deferred income taxes - noncurrent. . . . .	-	-
35	(Gain) loss on disposition of property and equipment. . . . .	(33)	(2)
36	(Gain) loss on casino reinvestment obligations. . . . .	715	764
37	(Gain) loss from other investment activities. . . . .	(31,519)	-
38	Net (increase) decrease in receivables and patrons' checks. . . . .	123,173	7
39	Net (increase) decrease in inventories. . . . .	1,101	92
40	Net (increase) decrease in other current assets. . . . .	1,946	(880)
41	Net (increase) decrease in other assets. . . . .	76,838	-
42	Net increase (decrease) in accounts payables. . . . .	(5,252)	(2,397)
43	Net increase (decrease) in other current liabilities excluding debt. . . . .	35,268	(10,615)
44	Net increase (decrease) in other noncurrent liabilities excluding debt. . . . .	(107,724)	(154)
45	Loss on extinguishment of debt, net of tax benefit of \$. . . . .	-	-
46	Amortization of CRDA assets . . . . .	-	-
47	Net Cash Provided (Used) By Operating Activities. . . . .	\$ 111,298	\$ (3,063)

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	Acquisition Of Property And Equipment:		
48	Additions to property and equipment. . . . .	\$ (6,957)	\$ 5,557
49	Less: Capital lease obligations incurred. . . . .	-	-
50	Cash Outflows For Property And Equipment. . . . .	\$ (6,957)	\$ 5,557
	Acquisition Of Business Entities:		
51	Property and equipment acquired. . . . .	\$ -	\$ -
52	Goodwill acquired. . . . .	-	-
53	Net assets acquired other than cash, goodwill, and property and equipment. . . . .	-	-
54	Long-term debt assumed. . . . .	-	-
55	Issuance of stock or capital invested. . . . .	-	-
56	Cash Outflows To Acquire Business Entities. . . . .	\$ -	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions. . . . .	\$ -	\$ -
58	Less: Issuances to settle long-term debt. . . . .	-	-
59	Consideration in acquisition of business entities. . . . .	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions. . . . .	\$ -	\$ -

Note: 2005 Statements of Cash Flows is as of June 30, 2005, however, Operations under the ownership of Caesars Entertainment, Inc. ceased April 25, 2005. See accompanying notes.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	107,280	\$ 4,084		\$
2	Food	414,532	5,657		
3	Beverage	901,619	2,344		
4	Travel			28,729	791
5	Bus Program Cash	173,283	3,330		
6	Other Cash Complimentaries	208,749	7,935		
7	Entertainment	31,775	918	1,904	238
8	Retail & Non-Cash Gifts	30,818	931	4,993	3,481
9	Parking				
10	Other *	2,847	119	70,628	588
11	Total	1,870,903	\$ 25,318	106,254	\$ 5,098

FOR THE THREE MONTHS ENDED JUNE 30, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	25,025	\$ 953		\$
2	Food	93,149	1,359		
3	Beverage	214,463	557		
4	Travel			6,749	227
5	Bus Program Cash	44,721	831		
6	Other Cash Complimentaries	47,750	2,043		
7	Entertainment	8,980	327	944	118
8	Retail & Non-Cash Gifts	4,821	247	1,330	661
9	Parking				
10	Other *	648	27	17,073	141
11	Total	439,557	\$ 6,344	26,096	\$ 1,147

\* No item in this category exceeds 5%.



**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of GNOC, Corp., a New Jersey corporation (the "Company"). The Company is a wholly owned subsidiary of Bally's Park Place, Inc., which owns and operates the casino hotel resort in Atlantic City, New Jersey known as Bally's Atlantic City ("Bally's Atlantic City"), which is a wholly owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). The Company owned and operated the casino hotel resort in Atlantic City, New Jersey known as the "Atlantic City Hilton" until April 25, 2005. The Company operated in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

On July 14, 2004, Caesars Entertainment, Inc. ("CEI"), Harrah's and Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's, entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for the merger of CEI with and into Harrah's Operating Company, Inc., which would be the surviving corporation. On March 11, 2005 the stockholders of CEI and Harrah's approved the Merger Agreement. On June 14, 2005 all regulatory approvals were received and the merger between CEI, Harrah's and Harrah's Operating Company, Inc. was completed.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at June 30, 2005 and 2004, and its statements of income for the three months and six months ended June 30, 2005 and 2004 and its statements of cash flows for the six months ended June 30, 2005 and 2004. All such adjustments were of a normal recurring nature.

**Sale of assets and certain liabilities**

On September 27, 2004, CEI entered into a definitive agreement to sell most of the assets and certain related liabilities of the Company as well as the assets of certain other affiliates of CEI to Resorts International Holdings, LLC ("Colony"), an affiliate of Colony Capital, LLC, a Los Angeles based international private investment firm, for approximately \$612,000,000. The transaction was completed on April 25, 2005. The company ceased to operate the Atlantic City Hilton as of that date.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

during the period. Actual results could differ from such estimates.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The statement of income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**Property and equipment**

Property and equipment were stated at cost. Depreciation was provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$1,241 and \$4,374 for the three months ended June 30, 2005 and 2004, respectively and \$5,707 and \$8,697 for the six months ended June 30, 2005 and 2004, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

**Costs in excess of acquired assets**

In 1987, Bally Entertainment Corporation (formerly the parent of the Company) acquired the Company, other related properties and real estate leases in a transaction which was accounted for as a purchase.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). Pursuant to SFAS 142, goodwill amortization ceased on January 1, 2002. Prior to the adoption of SFAS 142, the excess of the total acquisition cost and debt assumed over the fair value of net assets acquired (goodwill) had been amortized on the straight-line method over forty years.

**GNOG, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Fair values of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at June 30, 2005 and 2004.

**Accounting Pronouncements**

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have any impact on the Company's financial statements, as the Company does not have any variable interest entities.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated federal income tax return of CEI through June 13, 2005 and Harrah's thereafter. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by CEI in accordance with the tax sharing agreement between CEI and the Company.

**New Jersey tax legislation**

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 2 – RECEIVABLES AND PATRONS’ CHECKS**

Receivables and patrons’ checks as of June 30 consist of the following:

	<u>2005</u>	<u>2004</u>
Casino receivables (net of allowance for doubtful accounts – 2005, \$00; 2004, \$4,321)	\$ -	\$ 6,176
Other (net of allowance for doubtful accounts – 2005, \$27; 2004, \$48)	772	2,062
Due from CEI	<u>346,265</u>	<u>599</u>
	<u>\$347,037</u>	<u>\$ 8,837</u>

**NOTE 3 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of June 30 consist of the following:

	<u>2005</u>	<u>2004</u>
Accrued payroll and benefits	\$ 458	\$10,186
Insurance claims	1,583	2,458
Other	<u>1,493</u>	<u>5,684</u>
	<u>\$3,534</u>	<u>\$18,328</u>

**NOTE 4 - OTHER CURRENT LIABILITIES**

Other current liabilities as of June 30 consist of the following:

	<u>2005</u>	<u>2004</u>
Due to Bally’s Atlantic City	\$ 57,041	\$ 2,557
Due to Caesars World Merchandising, Inc.	462	407
Due to affiliates-other	1,339	1,077
Unredeemed slot promotions liability	-	821
Unredeemed chip and token liability	-	630
Connection Card liability	-	1,589
Other	<u>132</u>	<u>718</u>
	<u>\$ 58,974</u>	<u>\$7,799</u>

**GNOG, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 5 - LONG-TERM DEBT - DUE TO AFFILIATES**

Long-term debt - due to affiliates as of June 30 consist of the following:

	<u>2005</u>	<u>2004</u>
9% Note payable to Caesars Entertainment Finance Corporation due January 1, 2009	<u>\$200,000</u>	<u>\$200,000</u>

In January 1999, the Company declared a \$200,000 distribution payable in the form of a note payable to Bally's Atlantic City. Bally's Atlantic City then immediately assigned the \$200,000 note payable to CEI. On July 1, 2000, CEI assigned the \$200,000 note payable to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation ("CEFC"). The note payable bears interest at a rate of 9% per annum, payable on the last business day of each quarter.

**NOTE 6 - STOCKHOLDER'S EQUITY**

At June 30, 2005 and 2004, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,510 were issued and outstanding.

**NOTE 7 - CHARGES FROM AFFILIATES - MANAGEMENT FEE**

The Company and CEI had entered into an administrative services and management agreement. Under the agreement, CEI provided certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company paid CEI a monthly management fee equal to three percent of revenues, as defined.

**NOTE 8 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended June 30 consists of the following:

	<u>2005</u>	<u>2004</u>
Interest income	\$ 24	\$ 110
Gain on sale of Assets	31,519	-
Gain on disposal of equipment	<u>33</u>	<u>(1)</u>
	<u>\$ 31,576</u>	<u>\$ 109</u>

**GNOC, Corp. (Atlantic City Hilton)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

Nonoperating income (expense) for the six months ended June 30 consists of the following:

	<u>2005</u>	<u>2004</u>
Interest income	\$ 110	\$ 194
Gain on sale of Assets	31,519	-
Gain on disposal of equipment	<u>33</u>	<u>2</u>
	<u>\$31,662</u>	<u>\$ 196</u>

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Controller  
Title

\_\_\_\_\_  
007091-11  
License Number

On Behalf of:

\_\_\_\_\_  
GNOC, Corp. (Atlantic City Hilton)  
Casino License